

III. C.1. Disputing Fraudulent Transactions with Check Verification Companies

Sometimes identity thieves open a checking account in a consumer's name, usually making an initial deposit with a counterfeit or altered check, and proceed to write checks that exceed the balance of the account. In other instances, they steal a consumer's checkbook or preexisting bank account number and forge the consumer's signature or create counterfeit checks. These are just a few examples of check fraud. Each of these scenarios can result in your client being linked to outstanding or unpaid checks at check verification companies.

Note: In some cases, the thief's passing of bad checks may result in criminal charges being filed against your client. If your client appears to be a victim of check fraud-related identity theft, you may want to try to obtain a criminal background check on your client to see if any criminal charges were filed. If you can determine where the bad checks were passed, you should inquire whether law enforcement in that jurisdiction has issued a warrant.

There are several credit reporting agencies (CRAs) that have check verification databases and collect information about consumers who have unpaid or outstanding "bounced," checks. Many stores and other businesses run an inquiry with such check verification companies whenever a consumer pays for merchandise or services with a check to see if the consumer is on the "bad check" list or has any unpaid or outstanding checks.

A check verification company is a "nationwide specialty consumer reporting agency" (specialty CRA) under the Fair Credit Reporting Act (FCRA) when it compiles and maintains information on consumers with outstanding or unpaid checks on a nationwide basis. Consumers may obtain an annual free copy of their consumer report from such companies. FCRA §§ 603(w) and 612(a)(1)(C), 15 U.S.C. §§ 1681a(w) and 1681j(a)(1)(C). For more information on specialty CRAs, see [Section IV.G.](#)

In addition, any store or business that refuses a check based on information from a check verification company must provide the consumer with an adverse action notice. FCRA § 615, 15 U.S.C. § 1681m. Should your client receive an adverse action notice, she is entitled to a free copy of her consumer report.

There are two important steps a victim should take if she discovers that an identity thief committed check-related fraud using her name. If the victim provides a check verification company with: (1) appropriate proof of identity; (2) a copy of an Identity Theft Report; and (3) identification of the fraudulent information, it cannot report the fraudulent information to a national CRA. FCRA § 605B(e), 15 U.S.C. § 1681c-2(e). Unlike with credit reports at the three nationwide CRAs, consumers cannot use section 605B with check verification companies to "block" information related to identity theft from check writing history reports.

Consumers also may file a dispute if there is an error in the consumer report maintained by a check verification company. The check verification company, like other CRAs, is required to reinvestigate disputed information and remove or correct any information resulting from fraud or identity theft. FCRA § 611, 15 U.S.C. § 1681i. For more information about the CRA reinvestigation process under section 611 of the FCRA, see [Section III.B.](#)

A sample consumer letter disputing information maintained by a check verification company and an attorney's follow-up letter are available at [Appendix C.3.](#)

Note on Private Rights of Action: The FCRA provides a federal private right of action for violations of sections 605B and 611. Sections 616 and 617 of the FCRA set out the conditions under which federal law may provide for a civil cause of action, as well as the damages that may be available. Your client may also have remedies under states law.